

**Statement of
Joseph Flatley, President**

Massachusetts Housing Investment Corporation

Before the

**Subcommittee on Housing and Community Opportunity
Of the
House Committee on Financial Services**

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Good morning. My name is Joe Flatley. I am President and CEO of the Massachusetts Housing Investment Corporation (MHIC), a private organization that finances affordable housing in Massachusetts. MHIC was created in 1990 as collaboration between the state's banking industry and community leaders. Today, we have 25 corporate investors including banks, insurance companies, and the GSE's. MHIC is a 501(c)(3) non-profit and a CDFI. I also serve as Chairman of the National Association of Affordable Housing Lenders (NAAHL). NAAHL, with more than 200 member-organizations, is the only association devoted to increasing private investment in low- and moderate-income communities – in affordable housing, community development, small business and micro-enterprises.

I would like to commend the House Financial Services Committee for holding hearings on the nation's affordable housing needs and thank you for the opportunity to give you my perspective on this issue.

I have worked in the field of affordable housing and community development for more than 30 years. The organization I head – the Massachusetts Housing Investment Corporation – last year provided over \$100 million in private capital to finance the development of 45 affordable housing projects in Massachusetts. This brings the amount we have committed or invested over the past 10 years for affordable housing to over \$500 million in 165 projects.

Over this span, we have seen both the “good” and the “bad” in affordable housing. The good news is that during the past decade, the affordable housing industry has experienced a very significant evolution and maturation in learning how to produce decent, affordable housing for low and moderate-income families and communities. For-profit and non-profit developers, lenders, investors, community leaders and government at all levels have learned to collaborate as partners in devising new solutions and creative financing strategies for financing and producing affordable housing in thousands of communities.

We have learned over the years about how to do it right – how to build affordable rental housing and homeownership that contains a mix of incomes, that is built with the discipline of the private market and that uses resources responsibly, that is of high quality and lasting value, that stays affordable over the long run and that people are proud to call home.

We have achieved these successes because, in large measure, we have been able to attract substantial private capital. For example, my organization, the Massachusetts Housing Investment Corporation, has raised over \$500 million in private capital to finance affordable housing, we have had zero loan losses, and we have earned a respectable return for our investors.

However, in the face of all that has been achieved over the past decade, we must recognize a central and indisputable fact: The need for affordable housing in thousands of communities throughout the country has never been greater. The lack of affordable housing has become pervasive as it impacts all segments of our economy. Working families, particularly the working poor, are finding it harder than ever to find affordable housing. Many people who have lived all their lives in city neighborhoods are having to move away because they cannot afford to stay. And businesses are seeing the costs incurred when employees can't find affordable, convenient places to live.

In high-cost areas, in particular, the costs of new construction and renovation remain very high, while the number of apartments with rents affordable to low- and moderate-income families remains low. The underlying problem is a result of a mismatch between demand and supply, resulting in escalating rents and housing prices. Demand-side subsidies, such as Section 8 certificates, are not workable solutions, as certificate-holders cannot find units with rents that qualify. Clearly, we need to add to the supply of affordable units.

However, even with strong public support for new units, an experienced non-profit developer, and a mortgage lender committed to providing credit for affordable housing, additional units can only be provided if subsidies fill the gap that exists between what families can pay and the overall cost to build, operate and maintain the units. Inevitably, public operating subsidies or capital subsidies must fill that gap.

Unfortunately, however, over the past decade, funding levels for federal housing programs have fallen short of what is truly needed to ensure every American of decent, affordable housing. If we are to make real progress in addressing the affordable housing shortage, new sources of subsidy must be made available to supply needed units. With only modest levels of new public investment, you will leverage enormous investment by the private sector, and by state and local governments.

As Congress considers solutions to the housing affordability crisis, the most effective long-term measure policymakers can take is to develop a new federal financing resource with the capacity and flexibility to, at the very least, "double" the existing supply of affordable rental housing. Such a resource should provide a stable, predictable source of capital – ideally free from the uncertainties of the Federal appropriations process – that would ensure providers of a dependable stream of revenue for leveraging the substantial sums of private capital today available for lending and investing in affordable housing.

Dependable, predictable funding is critical if we are going to create solutions to the housing affordability crisis that really work for the long run. These solutions depend on hard work over many years, on community outreach and planning, and on entrepreneurs who are willing to devote themselves to a multi-year effort, with some reasonable expectation of ultimate success in the end. This can't be accomplished with on-again, off-again public programs. With a consistent source of funding, more projects will enter the long pipeline of development. If you are willing to make the commitment to identify and secure a dedicated revenue stream, such as the proposed National Affordable Housing Trust Fund, you will leverage private resources many

times over, along with marketplace discipline and entrepreneurship; you will leverage state and local resources, and build partnerships among levels of government; and most importantly, you will rekindle and rebuild a sense of community throughout America.

Similarly, expanding homeownership is a critical element of most communities' revitalization strategies. The President's Budget this year proposes a major new single-family housing tax credit. The Renewing the Dream tax credit would make a huge difference for low-income families and low-income communities by attracting nearly \$2 billion of private investment annually for the construction and rehabilitation of homes in low-income communities for sale to low-income buyers. I strongly support this new tax credit and urge you to include it in any tax package enacted this year

Thank you for the opportunity to testify today and for your interest in exploring solutions to the nation's affordable housing crisis.